

# Community Development Financial Institutions Fund

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## U.S. Department of the Treasury 2002 Core/Intermediary - SECA Information Session

# *What topics will the workshop cover?*

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## **Part I:**

- CDFI Fund Mission and Programs
- CDFI Eligibility & Certification Requirements

## **Part II:**

- Funding Application Requirements
- Review Process & Evaluation Criteria

# *What is the CDFI Fund's mission?*

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Mission is to promote economic revitalization and community development by:

- Supporting community development financial institutions (CDFIs); and
- Providing incentives for banks and thrifts to increase their lending, investment, and services within distressed communities.

# *CDFI Fund Initiatives*

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## CDFI Program

- ➔ Certification
- ➔ Core & Intermediary Components
- ➔ Small and Emerging CDFI Assistance Component
- ➔ Native American CDFI Technical Assistance Component

BEA Program

New Markets Tax Credits

Native American Lending Study/Action Plan

Training Program

Research Activities

# ***Purpose of Core Component***

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- ✓ To provide direct assistance to CDFIs and entities that propose to become CDFIs in support of a Comprehensive Business Plan.
- ✓ To provide capital to viable financial institutions that demonstrate the ability to have significant impact on underserved markets.

# *SECA Component's Purpose*

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- ✓ To provide direct assistance to CDFIs and entities that propose to become CDFIs in order to enhance their capacity to serve their respective Target Market(s).
- ✓ To provide limited amounts of Technical Assistance and Financial Assistance to small and emerging CDFIs.

# *CDFI Types*

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- Banks or bank holding companies
- Business loan funds
- CDFI Intermediaries
- Credit unions
- Facilities loan funds
- Housing loan funds
- Microenterprise loan funds
- Multi-bank CDCs
- Venture capital funds

# *Eligibility*

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## **Requirements for Funding Eligibility:**

- ➔ A legal entity at time of application, as evidenced by organizational documents.
- ➔ Certified or demonstrate that it will meet all certification requirements by:
  - ❖ December 31, 2003 for Core; and
  - ❖ January 24, 2004 for SECA.

Note: An organization must be certified before Financial Assistance is disbursed.



# *Certification*

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## **Requirements for CDFI Certification or Re-Certification**

- Organizational documents to demonstrate legal entity
- Certification materials to determine if applicant currently meets all certification requirements.
- Re-Certification is required for applicants whose Certification has expired or will expire by September 11, 2002 for applicants under Core/Intermediary and by September 30, 2002 for applicants under SECA.

# *Eligibility/Certification Criteria*

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An entity that meets all of the following eligibility requirements will be certified as a CDFI:

- **Primary Mission**
- **Financing Entity**
- **Target Market**
- **Development Services**
- **Accountability**
- **Non-Government Entity**

# *Primary Mission*

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Purpose: To determine whether an applicant individually and collectively with its *Affiliate(s)* has a primary mission of promoting community development.

# *Primary Mission*

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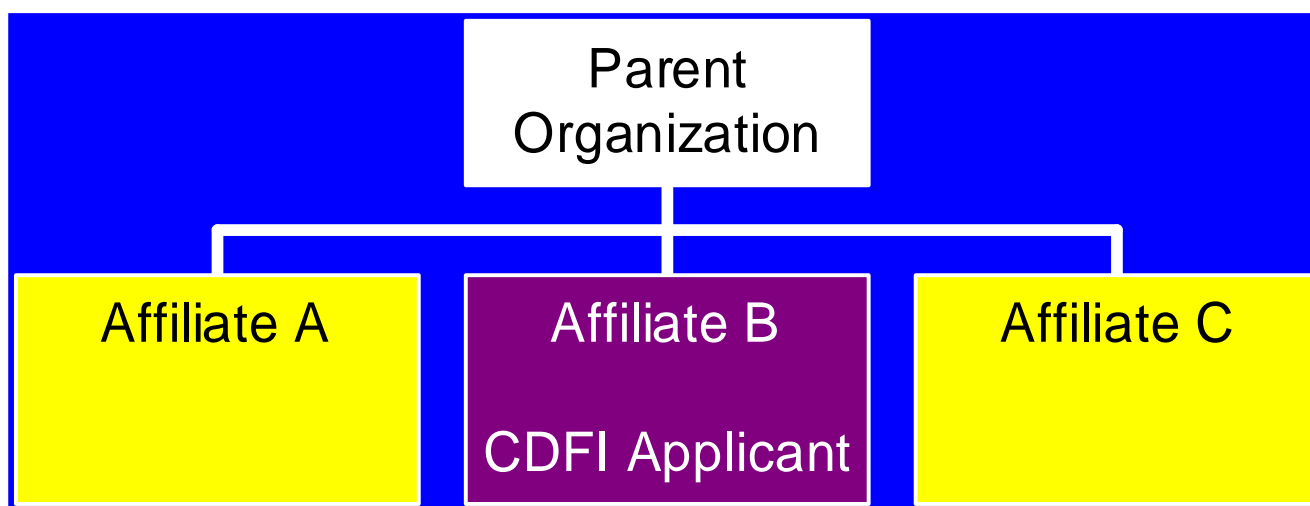
**Purposefully directed towards improving the social and/or economic conditions of:**

**(1) underserved people** (*e.g., low-income people and people who lack adequate access to capital and/or financial services*); **and/or**

**(2) residents of distressed communities** (*which may include Investment Areas*).

# *Primary Mission*

**Primary Mission Test Applied  
to Entire Family**



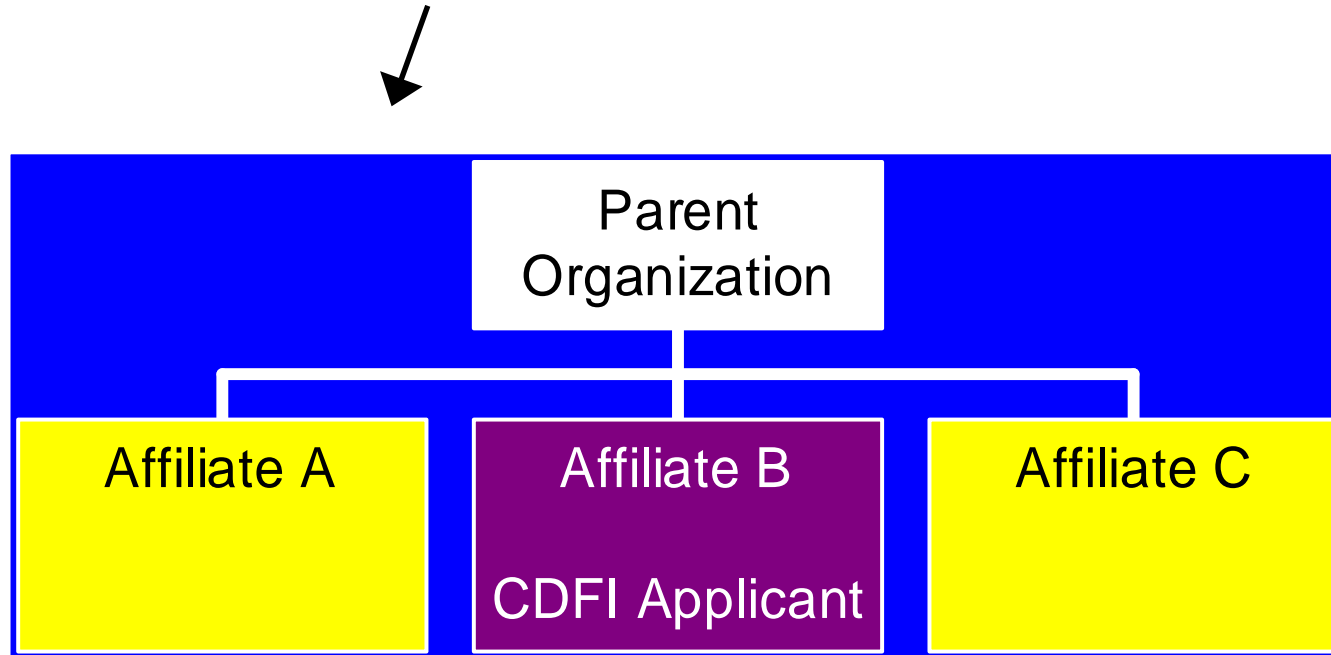
**All tests**

*Affiliate* – any company or legal entity that controls, is controlled by or is under common control with another company.

## *Provisions Applicable to*

- \* Depository Institution Holding Company & Subsidiaries and Affiliates
  - \* Subsidiaries of Insured Depository Institutions
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**All Tests Applied  
to Entire Family Collectively and CDFI Applicant Individually**



# *Primary Mission*

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## **Documents to Submit:**

- ✓ Organizational documents (e.g., articles/charter of incorporation, bylaws, annual reports) of the applicant and its *Affiliate(s)* evidencing a primary mission of community development.

OR

- ✓ Narrative explaining how that the collective activities and products of the applicant and its *Affiliate(s)* evidence such a primary mission.

# *Financing Entity*

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Purpose: To determine whether an applicant is an *Insured Depository Institution*, *Depository Institution Holding Company*, or *Insured Credit Union*, or whether it can otherwise demonstrate that it is a *Financing Entity*.



# ***Financing Entity: Regulated Entities***

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Applicants that are regulated entities (e.g., banks, thrifts, credit unions, and bank holding companies) are automatically considered to be Financing Entities.

## Documents to Submit:

- ✓ Organizational documents, and
- ✓ Certificate of insurance (e.g. FDIC, NCUA)

## ***Financing Entity:** Non-Regulated Entities*

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- Does the applicant's combined provision of *Financial Products* and *Development Services* make up a majority (more than 50%) of its activities, based on its assets and its staff allocation?
- If not, the Fund will also consider whether an applicant's combined *Financial Products, Development Services, and Financing Related Activities* make up a majority or at least a plurality (the largest component) of the applicant's activities.

# ***Financing Entity: Non-Regulated Entities***

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## Non-Regulated Applicants must submit:

- ➔ Asset Information Table and notes explaining how information in the table is derived from the financial statements.
- ➔ Staff Allocation Table and brief description of how the figures were derived.
- ➔ Financial statements for the most recently completed fiscal year (audited, if available)

# *Target Market*

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Purpose: To determine whether an applicant's activities are principally directed to serving a *Target Market* or *Target Markets*.

# *Target Market*

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To meet the Target Market test, applicants must:

- 1) Serve an eligible *Target Market* or *Target Markets*; and
- 2) Demonstrate that at least 60% of the applicant's total activities are directed toward the identified *Target Market(s)*.

# *Target Market*

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## Eligible Target Markets:

- ❖ *Investment Area(s)*
- ❖ *Low-Income Targeted Population(s)*
- ❖ *Other Targeted Population(s)*
- ❖ Or a combination of the above

# *Target Market*

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## **An Investment Area will be eligible if it:**

- ❖ Is entirely located within the *United States*;
- ❖ Is comprised of an eligible Geographic Unit(s); and
- ❖ Either:
  - a) Encompasses or is located in a Federally-designated Empowerment Zone or Enterprise Community; OR
  - b) Meets at least one of the CDFI Fund's five tests of economic distress *and* has significant unmet needs for loans, *Equity Investments*, or *Financial Services*.

# *Target Market*

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## For Investment Areas Submit:

- ✓ Investment Area Worksheet & Map from CDFI Fund On-Line Help Desk [www.treas.gov/cdfi](http://www.treas.gov/cdfi);
- ✓ A Narrative describing the significant unmet capital or financial services needs of the Investment Area; and
- ✓ Applicant Activity Table with narrative.



# *Target Market*

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## **A Low-Income Targeted Population**

Eligible if it is comprised of individuals whose family income is not more than:

- ❖ For metropolitan areas, 80% of the metropolitan area median family income
- ❖ For non-metropolitan areas, the greater of 80% of the area median family income, or 80% of the statewide non-metropolitan area median family income

# *Target Market*

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## **An Other Targeted Population:**

- ❖ Is eligible if it is an identifiable group of individuals that is not a *Low-Income Targeted Population* but, nevertheless, lacks adequate access to loans, *Equity Investments*, or *Financial Services*.
- ❖ Must include people who have historically been denied access to loans, *Equity Investments*, or *Financial Services* due to factors that are unrelated to their investment or credit worthiness such as gender, race, ethnicity, national origin, and creed.

# *Target Market*

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## **An Other Targeted Population:**

- ❖ An applicant must: (a) demonstrate that it serves an *Other Targeted Population*; and (b) provide an analytical narrative with information demonstrating that the members of the *Other Targeted Population* in the applicant's service area lack adequate access to loans, *Equity Investments*, or *Financial Services*

# *Target Market*

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## *Other Targeted Population Narratives:*

- ❖ Other Targeted Populations drawn from a regional or local service area require a narrative.
- ❖ Certain other Targeted Populations drawn from a national service area do not require a narrative (i.e., African-Americans, Latinos, Native Americans).
- ❖ Other Targeted Populations consisting of Alaska Natives residing in Alaska and Native Hawaiians or Other Pacific Islanders residing in Hawaii or other Pacific Islands do not require a narrative.

# *Target Market*

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## For Low-Income Targeted Population Submit:

- ✓ Applicant Activity Table with narrative

## For Other Targeted Population Submit:

- ✓ Brief analytical narrative demonstrating eligibility
- ✓ Applicant Activity Table with narrative

# *CDFI Fund's On-Line Help Desk*

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The On-Line Help Desk is a tool designed to:

- (1) help applicants designate eligible Target Markets; and
- (2) provide information on market characteristics.

# *Development Services*

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Purpose: To determine whether an applicant provides *Development Services* in conjunction with its financing activities.

# *Development Services*

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- Must be directed to the recipients or potential recipients of the applicant's *Financial Products*
- and
- Must prepare or assist the recipient in accessing the applicant's *Financial Products*.

NOTE: Applicants must provide the *Development Services* through their own staff, an *Affiliate's* staff, or a contract with a non-affiliated provider, as long as the applicant is directing the provision of those services.



# *Development Services*

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## Documents to Submit:

- ✓ Answer questions on the Development Services page of the application.
- ✓ *Complete the Development Services Table (pg. 30 in the application).*

Note: If *Development Services* are provided by another organization through a contract, also describe the contract terms and how your organization directs and contributes to the provision of those services.

# *Development Services*

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<b>Development Services Table</b>					
Instructions: Complete the table for each Development Service Activity (add sheets as necessary).					
Activity Name & Topic	Format (classroom, one on one, other)	Provider (applicant, Affiliate-name, other-name)	Estimated FTE(s) per week (if provided by applicant)	Estimated Clients per year	Estimated % of Development Service clients receiving applicant's financing
Example					
Pre-Purchase Counseling	Classroom	Applicant	0.5	100	80%

# *Accountability*

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Purpose: To determine whether an applicant maintains accountability to its defined *Target Market*.

# *Accountability*

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Representatives of the *Target Market* are included on the governing board

OR

Other approaches are used to satisfy this requirement, such as

- ❖ advisory boards
- ❖ focus groups
- ❖ community meetings

# *Accountability*

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## Documents to Submit:

- ✓ The Accountability Chart
- ✓ If Accountability is maintained through means other than the governing board, a brief narrative describing how the organization maintains accountability to its defined Target Market.

NOTE: Accountability must be maintained for each Target Market served.

Total number of Members \_\_\_\_\_

Total number of Members accountable to the Target Market \_\_\_\_\_

# ***Non-Government Entity***

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Purpose: To determine whether an applicant is a non-government entity and is not controlled by one or more government entities.

# *Non-Government Entity*

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- ❖ The Fund has identified a number of factors that, in general, indicate government control.

Note: Organizations operated or controlled by a tribal government are not considered governmental entities for the purposes of this test.



# *Non-Government Entity*

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## Documents to Submit:

- ✓ A list of Board Members indicating any member(s) who are government employees or elected or appointed government officials.
- ✓ If “yes” to any of questions a-g on page 33 of the funding application, briefly explain the circumstances.

# *CDFI Intermediaries*

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- ❖ Meet all six CDFI eligibility requirements  
AND
- ❖ Focus their *Financial Products* and other activities primarily on CDFIs and emerging CDFIs.

NOTE: The Target Market for a CDFI Intermediary is CDFIs and/or CDFIs in formation.

# *Small and Emerging Requirements*

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## A small and emerging entity has:

- total assets not exceeding \$5 million as of the last day of the applicant's most recently completed fiscal year that ended prior to January 1, 2002; and
- never received a notice of award from the CDFI Fund for FA (an award from the CDFI Program which requires matching funds) prior to the date of application for SECA Component funds.

# *Small and Emerging Requirements*

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## **For Banks, Thrifts and Bank Holding Companies only, a small and emerging entity:**

- ✓ Received its original charter from its Federal or State regulatory agency not more than three years prior to 9/24/01 (the date of the SECA NOFA).
- ✓ Has never has received a Notice of Award from the CDFI Fund for FA.

# BREAK

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# ***Part II:***

## ***Funding Application Requirements***

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### **Items to be covered:**

- Types of assistance available
- Comprehensive business plan (CBP)
- Matching funds requirement
- Review process
- Key dates and additional information

# *Types of Assistance*

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- Grants
- Equity investments (for-profits only)
- Loans
- Secondary Capital (insured credit unions only)
- Deposits/credit union shares
- Technical Assistance Grants

# *Comprehensive Business Plan*

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1. What is the applicant's **ability** to carry out its Comprehensive Business Plan & create community development impact?
2. What is the quality of the applicant's **strategy** for carrying out this plan & creating such impact?
3. To what extent will the applicant maximize the **effective use** of the Fund's resources?
4. For applicants requesting TA: Is the Technical Assistance Proposal (TAP) **linked to the CBP**?



# *Comprehensive Business Plan - Evaluation Criteria*

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Ability to carry out the Comprehensive Business Plan:

- Community Development Track Record
- Operational Capacity & Risk Mitigation Strategies
- Financial Track Record & Strength
- Capacity, Skills & Experience of Management Team

# *Comprehensive Business Plan - Evaluation Criteria*

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Quality of the strategy for carrying out the Comprehensive Business Plan & creating community development impact:

- Market Analysis
- Program Design and Implementation Plan
- Financial Projections and Resources  
(applies only to Core & SECA-FA)
- Community Development Impact
- Schedule (applies only to Core)

# *Comprehensive Business Plan - Evaluation Criteria*

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## Effective Use of CDFI Fund Resources:

- Why is the Fund's award needed to carry out the business plan?
- Why should your organization receive funding?
- Previous Awardees—
  - Have you met the requirements of your existing *Assistance Agreement*?
  - What additional benefits will be created with additional assistance?

# ***Matching Funds (Core & SECA-FA only)***

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- ➔ \$1 for \$1 match
- ➔ Must be from a non-Federal source
- ➔ Must be non-Federal funds
- ➔ Must be comparable in form and value to assistance requested from the Fund.
- ➔ Must be obtained or legally committed between:
  - 1/1/01 - 12/31/03 for Core; and
  - 1/1/00 - 12/31/03 for SECA.
- ➔ Matching Funds are not required for Technical Assistance awards.

# *Application Contents*

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What needs to be included in the funding application?

- ✓ Applicant Information
- ✓ Certification Materials
- ✓ Comprehensive Business Plan
- ✓ Technical Assistance Proposal (SECA only)

# **Changes to Application Submission**

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- ✓ **Applications must be received at the Bureau of Public Debt (not the CDFI Fund).**
- ✓ **Applications sent via US Postal Service or overnight/express delivery considered on time if postmarked or in transit on or before midnight:
  - ✓ **12/10/01 for Core; and**
  - ✓ **1/23/02 for SECA.****
- ✓ **Hand-delivered applications must be received by the Bureau of Public Debt by 5:00 EST the date of application deadline.**
- ✓ **Demonstration Project: Electronic Submission of Applications – applicants must obtain pre-approval.**

# *Review Process - Phase One*

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## Key Review Components:

- ✓ Completeness and eligibility review
- ✓ Readers' Meeting involving external and Fund reviewers
  - ❖ Applications are reviewed and scored on a maximum 100 point scale by each reviewer.

# *Review Process - Phase Two*

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## Key elements:

- Site visit and/or telephone interview
- Matching Funds verification
- References check
- Recommendation memo by Fund staff
- Panel of Fund senior staff
- Final decisions by September 30, 2002



# KEY DATES

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Core & Intermediary Funding  
Applications

are due

**December 11, 2001**

**BY 5pm EST**

SECA Funding Applications

are due

**January 24, 2002**

**BY 5pm EST**

# CONTACTING THE FUND

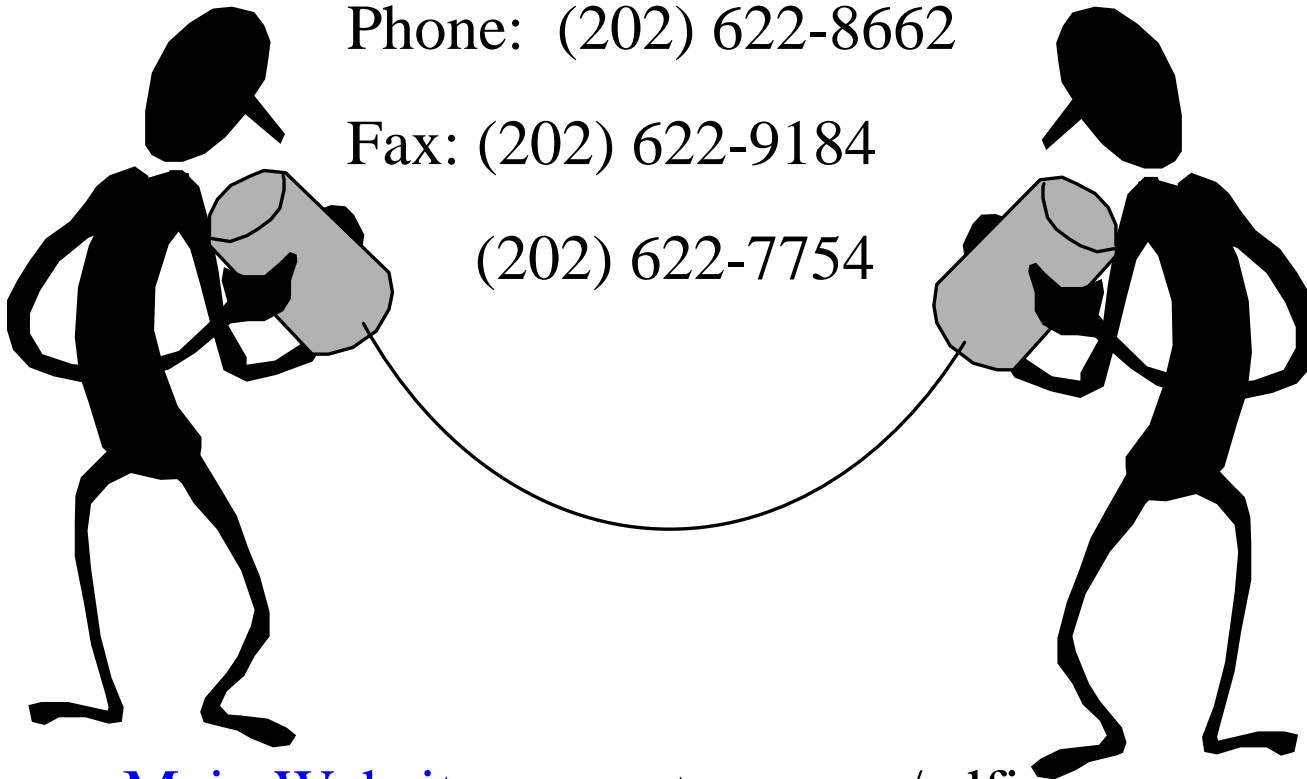
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## CDFI Fund's Main Number

Phone: (202) 622-8662

Fax: (202) 622-9184

(202) 622-7754



**Main Website:** [www.treas.gov/cdfi](http://www.treas.gov/cdfi)

**E-mail Address:** [cdfihelp@cdfi.treas](mailto:cdfihelp@cdfi.treas)

# BREAK

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# ***Funding Request***

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**SECA applicants can apply for:**

- 1) TA only; or
- 2) FA and TA (if applying for FA you must apply for TA).

## *TA/FA Applicants*

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**Applicants applying for TA and FA must meet “Small and Emerging” requirements.**

# *SECA Award Limits*

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Generally, maximum **Technical Assistance** (TA) award is \$50,000

Maximum **Financial Assistance** (FA) award is \$150,000

Combined **FA and TA** maximum award request is \$200,000

# ***TA Awards***

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**TA awards under SECA are made in the form of grants and require no matching funds, and:**

- ✓ **Can be used for capacity building**
- ✓ **General maximum TA award amount of \$50,000**

# *Eligible Uses of TA*

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For activities that enhance the capacity of the applicant to:

- ❖ make loans and investments;
- ❖ provide *Development Services* to its *Target Market*; and
- ❖ realize its business plan.



# *Eligible Uses of TA – Usage Categories*

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## **→ Consulting Services**

- Contracting with consultants

## **→ Staff Salary**

- Paying staff salary for non-recurring activity

## **→ Technology**

- Operating efficiencies through technology

## **→ Training**

- Training for staff and management

## **→ Other**

# *Eligible Uses of TA – Consulting Services*

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- ⇒ Lead a strategic planning process
- ⇒ Develop a marketing plan for financial products
- ⇒ Conduct market research and analysis
- ⇒ Analyze and modify financial products
- ⇒ Develop capitalization/fundraising strategies
- ⇒ Conduct initial financial audit for applicant

# *Eligible Uses of TA – Staff Salary*

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**For specific, non-recurring tasks, such as:**

- Developing underwriting criteria for a new loan product
- Designing and building a database
- Research and development for a new Development Services curriculum (such as loan qualification, homebuyer training)

# *Staff Salary Requirements*

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- ❖ SECA supported salary may not cover more than 50% of any staff person's salary within a one (1) year period.
- ❖ SECA support for staff salary may not be more than 24 months in duration.

# *Eligible Uses of TA - Technology*

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- ➔ New or upgraded software, hardware and peripherals
- ➔ Database improvements to manage fundraising and investor relations
- ➔ Portfolio management software
- ➔ LAN and inter office communication
- ➔ Hardware upgrades to be Internet compatible
- ➔ Other office technologies

# *Eligible Uses of TA - Training*

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Cost of tuition or registration for training events, for example:

- ✓ organizational development; and
- ✓ lending or investing activity.

NOTE: Training should be related to business plan.

# *Ineligible Uses of TA*

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- ➔ Office space rent
- ➔ Interest payments on borrowed funds
- ➔ Cost of an annual financial audit (other than initial audit)
- ➔ Other operating expenses
- ➔ Consulting services to complete a Core/Intermediary application to the CDFI Fund
- ➔ Preparation of funding proposals (by staff or consultant)

# *Technical Assistance Proposal (TAP)*

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- ❖ **What capacity needs are required to achieve the business plan?**
- ❖ **What TA will meet those needs?**
- ❖ **Strategies to obtain TA effective?**



# ***TAP – Application Requirements***

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- ☐ **Describe the TA needed**
  - complete the TAP Request Form
- ☐ **Describe the capacity needs of your organization required to achieve the business plan**
- ☐ **Describe a strategy to obtain TA, include:**
  - timing
  - resources needed
  - qualifications of consultants, if applicable
  - include consultant scopes of work, if applicable

# *Evaluating the TAP*

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## **How will a TA Award add value to your organization and its services?**

- Will the TA award improve conditions in your organization's Target Market?
- Will meeting capacity building needs translate into greater community development impact?
- If capacity building needs are met, will conditions improve in your Target Market?

# *Evaluating the TAP*

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## **How will a TA Award add value to your organization and its services?**

- If staff salary is proposed, is it critical to achieving the objectives in the business plan?
- For applicants applying for FA, describe how the TA award would enable your organization to effectively utilize the FA award and the required matching funds.

# *Evaluating the TAP*

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## **How will a TA Award add value to the organization and its services?**

- ❖ Will the use of TA increase the organization's capacity to serve its Target Market?
- ❖ Will the increased capacity building translate into improved conditions in the Target Market?

# CONTACTING THE FUND

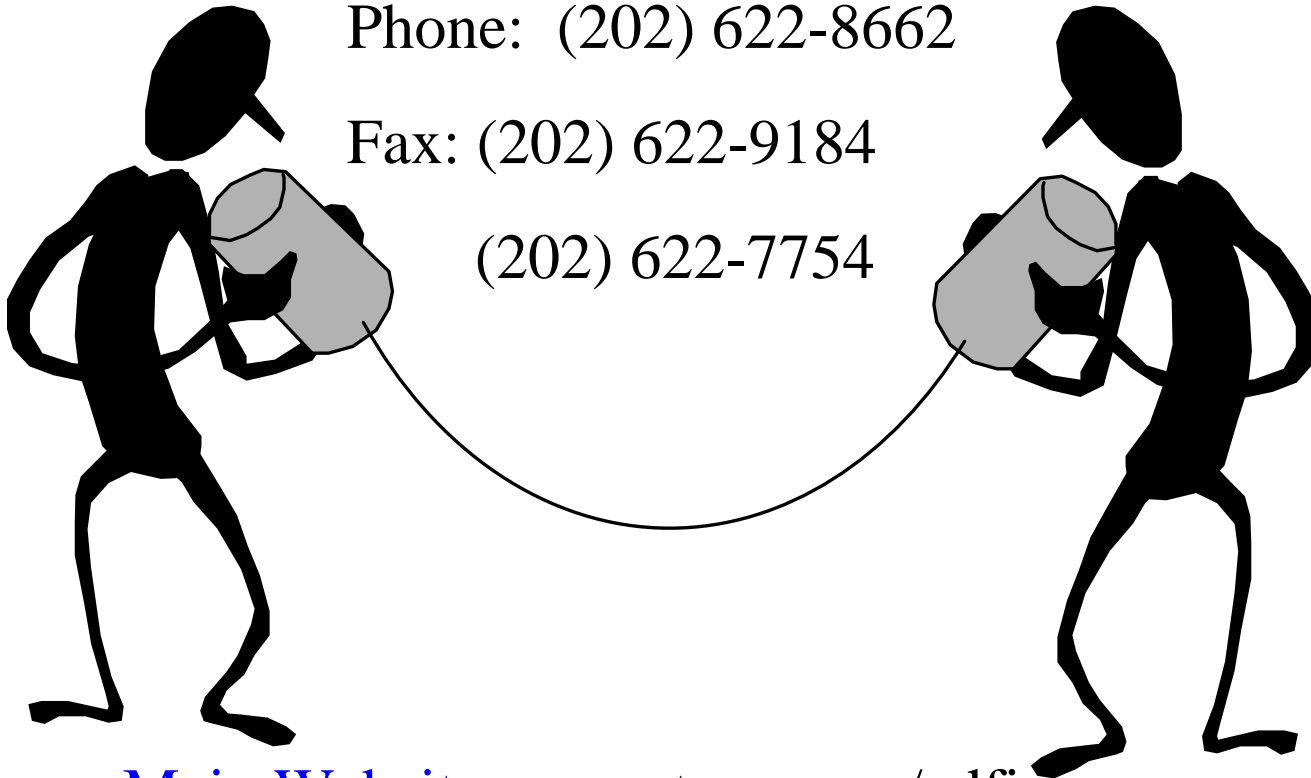
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